



ECONOMIC IMPACT OF THE INTERNATIONAL PASSENGER INDUSTRY ON THE PORTLAND, MAINE REGION

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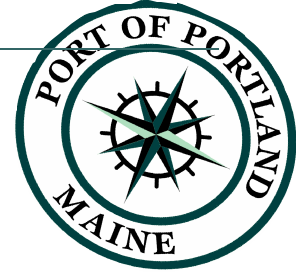


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I. EXECUTIVE SUMMARY

A. GENERAL

Portland's international passenger trade is a significant part of the working waterfront and local economy. A key component of the seaport's diverse economic mix, this trade has remained a viable part of the City for over three decades. Comprised of the home port (started in 1970) and port-of-call business (started in 1989), this business actually reemerged after centuries of people moving by ship through the port ended in the 1940's.

Portland handled 205,374 international passengers in 2001, making it one of the largest international passenger ports on the U.S. East Coast. Eleven lines made 41 calls during 2001. The international passenger trade is expected to continue to grow despite the events of September 11th.

The economic impact of this business is measured in several key areas:

1. Direct purchases made by the cruise/home port lines,
2. Purchases and fees associated with shore side support,
3. Spending by passengers,
4. Spending by crew.

B. OVERALL IMPACTS

The economic impact of the international passenger trade has been measured in several ways. Various methods determined the following:

- During 2000, 6.6 million U.S. residents took cruise vacations throughout the world and accounted for 82 percent of the industry's global passengers. ¹
- The Canada/New England market accounted for 5% of the Global Distribution of Cruise Passengers (400,062 passengers). ¹
- The cruise lines and their passengers directly spent \$9.4 billion in goods and services in the U.S., a 15% increase from 1999. The cruise lines spent just under \$8 billion while passengers spent \$1.4 billion. ¹
- The cruise industry plans to add another 49 cruise ships, worth \$15 billion to the North America fleet by 2005. These ships will increase the capacity of the industry by 50% over the five year period. ¹

- Cruise passengers spent \$450 million in non-transportation expenditures creating more than 5,000 jobs in the retail and lodging sectors. These jobs generated \$101 million in wage income.¹
- Last year, the total economic benefit to North America by the cruise industry and cruise-related activities was approximately \$17 billion. Of this, the cruise industry contributed \$9.4 billion in direct spending for the products and services of U.S. companies.¹

C. IMPACTS ON MAINE AND PORTLAND

- The impact of the cruise ship business in Maine accounted for \$9.2 million in purchases, 327 jobs and \$9.6 million in wages.¹
- An average port-of-call passenger spends \$117.00 locally.
- An average port-of-call cruise ship crewmember spends \$38.00 locally.
- Total economic impact in Portland is estimated at \$8.71 million or \$198.96 per passenger for the cruise ship trade.
- An average home port passenger spends between \$29 and \$99 locally or \$11.56 million annually.
- An average home port crewmember spends \$64.83 or \$103,468 annually.
- Scotia Prince Cruises, Ltd. has an average annual impact of \$20.3 million or \$126.00 per passenger.
- Total economic impact in Portland is \$20.4 million for home port operations or \$126.61 per passenger.

¹ Business Research & Economic Advisors – October 2001, International Council of Cruise Lines *The Contribution of the North American Cruise Industry to the U.S. Economy in 2000*, (Appendix C),

D. DIRECT IMPACT ON THE CITY OF PORTLAND

There is a direct impact to the city’s budget as a result of the international passenger trade. These impacts include the revenues generated by Scotia Prince Cruises, Ltd., cruise ship operations, parking and transient vessel berthing.

These elements include:

Total Revenue from operations:	\$1,039,564.00
Expenses from operations including staff:	<u>\$525,000.00</u>
Net revenue to the City	\$514,564.00

E. TOTAL ECONOMIC IMPACT

As a result of the domestic and international cruise/ferry business in the Port of Portland, Maine the economic impact can be viewed as exceeding \$29 million dollars as shown below.

Table 1: Total Annual International Cruise/Ferry Economic Impact Benefit	
International Cruise/Ferry Benefit Categories	Estimated Economic Benefit
Total Port-of-Call Impact	\$8,715,016.53
Home Port Passenger with Pre/Post-Cruise Stay	\$9,634,240.08
Average Spending Per Homeport Passenger - Same Day Arrival	\$1,890,636.30
Home Port Crew Spending	\$103,468.68
Scotia Prince Cruises, Ltd. Operational Expenses (does not include rent and parking paid to City)	\$8,376,300.00
Homeport Vessel (American Classic Voyages & American Cruise Line) Spending	\$8,000.00
Benefit to the City of Portland (gross revenue)	\$514,564.70
Total Estimated Annual Economic Benefit	\$29,242,226.29

The significance of the figures in *Table 1* is that they do not include indirect impacts which were not calculated for this report.

Applicable unmeasured indirect impacts not shown in *Table 1* include:

- Sales Taxes on food, fuel and merchandise,
- Transportation costs to and from port for home port pre/post stay passengers,
- Tips for ground transportation costs, restaurants and step-on guides,
- Duty taxes on declared merchandise purchased abroad,
- Other incidentals.

II. INTRODUCTION

The Port of Portland is the largest seaport in New England handling more tonnage than any other port in the region. It is also the second largest international passenger port in New England and handles more petroleum cargo than any other U.S. East Coast port besides Philadelphia. This vibrant and busy working waterfront also includes the second largest fishing port in New England.

Over the last decade Portland has seen its passenger, cargo, and fishing trade increase reinforcing the economy of its working waterfront and fostering the investment in waterfront infrastructure.

The economic engine created by waterfront industries not only impacts the City of Portland, but also impacts the port community of South Portland, as well as all of Southern Maine, the State of Maine and the entire northern New England region. Sales tax revenue from the international passenger trade, for example, fuels the economy of the entire state as shippers in every county of Maine move containers through the International Marine Terminal.

The City of Portland's municipal facilities and waterfront support a diverse economic mix that is healthy and active. The port faces the same challenges as seaports throughout the country. Portland must focus on its strengths if it is to remain an important part of the Southern Maine Region's economic base. A healthy vibrant port and waterfront serves as a significant economic engine that helps drive businesses throughout the entire State of Maine.

The international passenger re-emerged in 1970 when Lion Ferry chose Portland over Portsmouth, NH to establish an international ferry service between Portland and Yarmouth, Nova Scotia. Since that time, the company, on successive ships, has carried over 5 million passengers. In 1989, through a combined effort of the Chamber of Commerce and the City of Portland, the seaport hosted its first port-of-call, or continuous voyage ship. Since that time, the port has hosted nearly 170,000 passengers on cruise ships. The capacity to handle this trade on Portland's waterfront is a vital part of the City's maritime heritage and economic base.

Port of Portland's passenger trade however, is nearing capacity. In addition, the trend of cruise ships increasing in size is pushing the limits of accommodating these modern vessels beyond the capability of the current facilities in our port. The Ocean Gateway project will provide a new facility that is state of the art, capable of handling multiple post-Panamax cruise vessels simultaneously, as well as being able to accommodate the operations of the m/s Scotia Prince, the daily international ferry. The particularly unique and desirable feature of the location of this new project is that it will provide direct access for passengers and crew members into the heart of the city.

The international passenger business in Portland is thriving. The Port of Portland hosted 14 cruise ship companies in 2001. These world class vessels brought 43,803 passengers and approximately 19,500 crew on continuous voyage (port of call) visits to the City of Portland. Three other operators utilized Portland as their home port base for their passenger operations. These three operators each used one vessel to bringing over 161,571 passengers to Portland on 160 calls to embark or disembark on their cruise vacation.

The impact that these and other related waterfront businesses have on the economic stability and vitality of the City of Portland and the greater regional and statewide areas is both significant and measurable. This report will present the data necessary to highlight the economic contributions of passenger cruise ship and international ferry operations at the Port of Portland.

The City of Portland has a long, rich maritime heritage. The qualitative benefits that these thriving marine-related businesses add to our city's social and cultural fabric are also significant and should be given appropriate consideration.



The once active Bath Iron Works Ship Repair Facility with the QE2 at Anchorage A in Casco Bay.

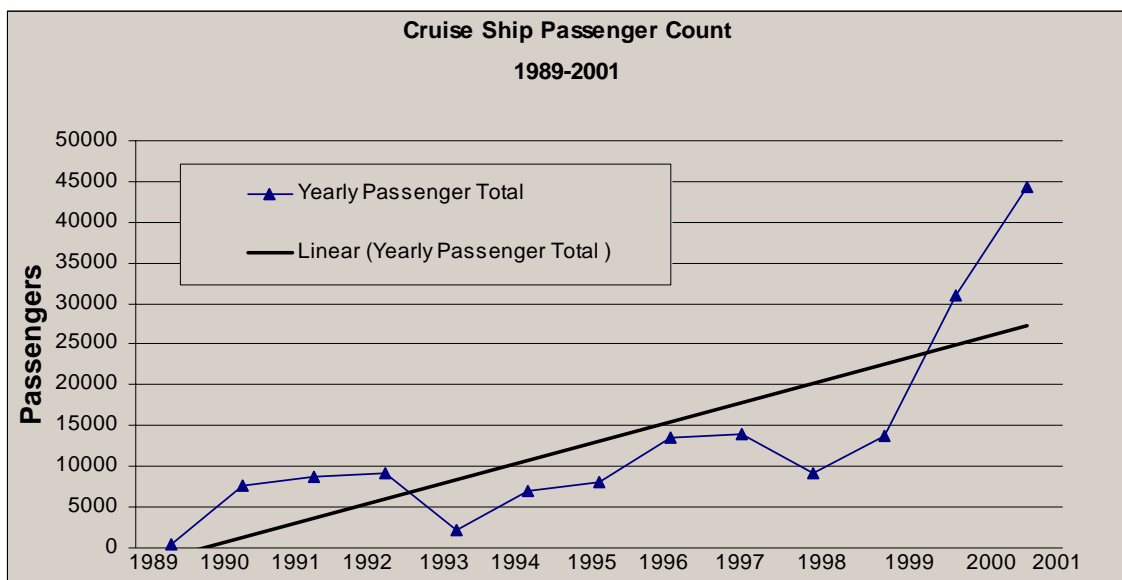
III. INTERNATIONAL PASSENGER TRADE: HISTORY AND GROWTH

A. PORT-OF-CALL CRUISE INDUSTRY GROWTH

The Port of Portland has experienced overall growth in port-of-call operations. The City handled its first ship in 1989, when the City and Greater Portland Chamber of Commerce worked together to attract Cruise Ships to Portland. That growth is highlighted in the following tables. While year to year growth levels may fluctuate, the business is expected to continue to expand based on current assessments by cruise ship industry analysts. Portland will continue to meet competitive challenges to insure we remain on cruise ship itineraries.

Table 2: Portland's port-of-call passenger (pax) growth (Appendix A)

Season	Port-of-Call Pax Count	% Growth
1989	540	n/a
1990	7,560	1,300%
1991	8,640	14%
1992	9,180	6%
1993	2,160	-76%
1994	7,020	225%
1995	8,100	15%
1996	13,500	67%
1997	14,040	4%
1998	9,270	-34%
1999	13,660	47%
2000	31,000	127%
2001	44,374	43%



B. HOME PORT OPERATIONS

In 1970, the Portland City Council and the Chamber of Commerce worked closely with Lion Ferry, the forerunner of SCOTIA PRINCE CRUISES, LTD. to have the company establish its base of operations in Portland. The company was looking at Portsmouth, NH as well. Since establishing its operations here, the company has handled over 5 million passengers and almost 1 million vehicles between the United States and Canada. In 2001, two smaller U.S. flag operators decided to begin using Portland for home port operations as well. Portland is attractive to operators because of its lower cost, airport service and location.

IV. THE CONTRIBUTING ELEMENTS OF THE HOMEPORT CRUISE INDUSTRY

The three elements contributing to the success of home port cruise ship and ferry operations are:

1. *Dedicated cruise ship and ferry terminal/complexes:* Passengers and lines expect clean and efficient terminal facilities in ports. The City currently uses a former freight warehouse for these operations. Portland is expected to have a state-of-the-art marine passenger facility upon completion of the Ocean Gateway Project;
2. *Active marketing and promotion of Portland as a destination:* Follow through is also critical to ensure quality port services and a good overall experience for passengers and cruise lines. Portland and the State of Maine need to be marketed as a destination nationally; and
3. *Converting single port-of-call cruise ship operations opportunities to host cruise lines and ships as a home port:* Embarking and disembarking passengers and provisioning ships while in Portland can add significant income to the City, our local merchants, hoteliers and service providers. This includes a close serving airport with diverse airline service and efficient connections between airports and seaports.

The latter, in particular, offers growth potential and in comparison to ports-of-call has a broader and larger economic impact. Developing home port capabilities requires the development of an investment in excellent intermodal transportation infrastructure.

The economic impact of the home port cruise industry is based on four core sources:

1. Direct purchases made by the home port lines;
2. Purchases and Fees associated with shore-side services and staffing, employee benefits and capital expenses by the home port cruise line, as well as costs associated with marketing collateral, promotions and advertising;
3. Spending by home port cruise passengers on local lodging, food, fuel and other consumables associated with leisure travel, particularly for those passengers embarking or disembarking; and
4. Spending by home port cruise line crew members.

V. HOME PORT OPERATION IMPACTS VS. PORT-OF-CALL IMPACTS

The international passenger industry is divided into two separate categories; home port operations and port-of-call vessels (continuous voyage).

A. HOME PORT OPERATIONS

Three companies utilized Portland as a homeport during the 2001 cruise season. The port and region directly benefited from the spending by cruise/ferry passengers for goods and services associated with their cruise, including travel to and from the port of embarkation and pre- and post-cruise vacation spending. Annualized shore-side staffing by the cruise/ferry line for their headquarters, operations and marketing and tour operations also added real dollars directly into the local economy. Home porting results in higher local sales. Home port ships take supplies more often than port-of-call vessels and more labor is required for passenger servicing and storing the additional economic impact of which can be significant. These operations also provide significant additional economic benefits to local lodging establishments, restaurants, the airport and other public transit systems.

1. Scotia Prince Cruises, Ltd.: This is the Port of Portland's primary home port based operation which began here in 1970. The company ferried over 161,000 passengers during their 2001 cruise season, over a seven month period.

2. American Classic Voyages: This cruise line utilized Portland's Maine State Pier and the International Marine Terminal to accommodate over 400 passengers on two calls in the FY '02 cruise season. This company has discontinued operations since the attack on America incidents on September 11, 2001.

3. American Cruise Line: The AMERICAN EAGLE (an American built and flagged vessel) conducted two turn around operations in Portland during the 2001 cruise season. The vessel docked at a private marina facility in Portland for one of those calls. The AMERICAN EAGLE conducts seven day, six night Coastal Maine cruises calling on the ports of Bath, Camden, Boothbay Harbor, Bar Harbor, Castine and Blue Hill. The product is marketed in Smithsonian magazine and National Geographic Travel magazines. The company will be utilizing Portland for five weeks during the 2002 season, and 14 weeks in 2003. They are building a sister ship called the AMERICAN GLORY which will also be positioned in the New England summer cruising market and will be using Portland as a home operations port as well. The AMERICAN EAGLE and the AMERICAN GLORY both hold 49 passengers and 23 to 26 crew members per voyage.



Local# 861 of the International Longshoremen's Association load supplies onto the REGAL EMPRESS at the IMT.

The impact from the above two home port operations varies slightly as they do not maintain a home office in Portland. Due to travel distance for the majority of these passengers, many of them also enjoyed pre- and post -vacation stays while in Portland.

While not maintaining a corporate office here, these two companies did utilize the following community resources to facilitate their operation from Portland:

- Passenger Lodging
- Passenger Spending in Restaurants, Shops, etc.
- Crew Spending
- Port Fees- Dockage, Head Tax, Security Fees
- Fuel
- Provisions
- Rubbish Removal Services
- Fresh Water
- Sewage Discharge
- Chandler Services
- Ship Agency Services
- Government Fees
- Stevedoring Services

B. PORT-OF-CALL OPERATIONS

Port-of-call operations were generated by 11 different cruise lines, utilizing 14 different cruise ships in the Portland market. Collectively they made 41 port-of-calls to Portland in FY '02. The companies and the vessels they used in the Canada/New England market are:

1. Princess Cruises-CROWN PRINCESS, ROYAL PRINCESS,
2. Carnival Cruise Line-VICTORY,
3. Holland America Line-AMSTERDAM,
4. Regal Cruises-REGAL EMPRESS,
5. Norwegian Cruise Line-NORWEGIAN SEA,
6. Hapag-Lloyd Cruises-EUROPA,
7. Royal Caribbean, International-GRANDEUR OF THE SEAS,
8. Silverseas Cruises-SILVERWIND,
9. Seabourn Cruise Line-SEABOURN SUN,
10. Cunard Line Limited-QE2, CARONIA,
11. American Canadian Caribbean Line-GRANDE CARIBE, GRANDE MARINER.

In addition to municipal dockage and per passenger fees, cruise ship operations provide considerable income to pilots, docking masters, tug boats, ship agents, ship chandlers for stores and supplies, local hospitals and clinics for medical services, stevedoring service and ship repair experts.

VI. OVERVIEW OF CRUISE SHIP INDUSTRY ECONOMIC IMPACTS

The cruise industry brings a burgeoning tourism economy to American ports and over 1,800 port destinations around the world according to industry sources. The importance of both the social and economic opportunities cannot be understated. It has an effect on virtually all sectors in the port city, as well as the country as a whole. The cruise lines' presence in port cities, even on a seasonal basis, strengthens the economy for many local and regional elements. In addition to local port user fees, passenger head taxes and surcharges, cruise ships generate local revenue by purchasing supplies and services such as pilots, tugboats, food and beverage, waste disposal services, fuel and fresh water. In addition, the guest and crew purchases at port destinations provide a major contribution to the local economies including lodging, restaurants, attractions, retail shops, tour operators and other businesses. **It is estimated that a typical cruise ship generates \$260,000 in passenger and crew expenditures during a port of call visit. (Appendix B)**

Using the existing industry standards set forth by the Florida Caribbean Cruise Association (FCCA) and the International Council of Cruise Lines (ICCL), the most quantifiable economic impacts can be measured from calculating vessel spending. It is more difficult to accurately quantify passenger and crew spending.

This report focuses, therefore, on the vessel expenditures to highlight the best quantifiable economic metric. In addition, this report uses the framework from three significant economic impact studies to establish average economic multipliers that are directly relevant to the Portland, Maine market:

- Business Research & Economic Advisors – October 2001, International Council of Cruise Lines *The Contribution of the North American Cruise Industry to the U.S. Economy in 2000*, **(Appendix C)**,
- Pricewaterhouse Coopers - July 27, 2001 Florida Caribbean Cruise Association's *Economic Contribution of the FCCA member Lines to the Caribbean and Florida*, **(Appendix D)**,
- Economic Development and Tourism Department of the City of St. John's, NF-2000 the Cruiseship Authority of St. John's New Foundland was used as a comparative port analysis, with the study entitled *The Cruise Ship Impacts on the City of St. John's – 2000*, **(Appendix E)**.

The cruise line industry has looked extensively at the economic impact of cruising; those impacts have been summarized in several key reports.

- 1) During 2000, 6.6 million U.S. residents took cruise vacations throughout the world and accounted for 82 percent of the industry's global passengers. (Appendix C)
- 2) The Canada/New England market accounted for 5% of the Global Distribution of Cruise Passengers (400,062 passengers). (Appendix C)
- 3) The cruise lines and their passengers directly spent \$9.4 billion in goods and services in the U.S., a 15% increase from 1999. The cruise lines spent just under \$8 billion while passengers spent \$1.4 billion. (Appendix C)
- 4) The cruise industry plans to add another 49 cruise ships worth \$15 billion, to the North America fleet by 2005. These ships will increase the capacity of the industry by 50% over the five year period. (Appendix C)
- 5) Cruise passengers spent \$450 million in non-transportation expenditures creating more than 5,000 jobs in the retail and lodging sectors. These jobs generated \$101 million in wage income. (Appendix C)
- 6) Last year, the total economic benefit to North America by the cruise industry and cruise-related activities was approximately \$17 billion. Of this, the cruise industry contributed \$9.4 billion in direct spending for the products and services of U.S. companies. (Appendix C)

VII. CRUISE SHIP ECONOMIC IMPACT ON MAINE

The industry also has looked at the impacts on individual areas. Maine is part of a growing market area known as the New Atlantic Frontier. The New Atlantic Frontier is a marketing program designed to promote the ports of New England and Atlantic Canada.

The International Council of Cruise Lines, the industry's largest trade association, has looked at the status and impact of cruise operations by key states. In their report, *The Contribution of the North American Cruise Industry to the U.S. Economy in 2000*, the total economic impacts of the cruise industry on Maine were presented in the following table.

Table 3: Total Economic Impacts MAINE (Appendix C)

TABLE 35: TOTAL ECONOMIC IMPACTS, STATE OF MAINE

	Direct Purchases	Total Employment	Total Wages
Agriculture, Mining & Construction	\$ -	6	\$ 126,592
Manufacturing	\$ 1,974,790	76	\$ 2,342,221
Nondurable Goods	\$ 1,717,651	31	\$ 915,104
Durable Goods	\$ 257,139	44	\$ 1,427,117
Transportation	\$ 4,974,188	94	\$ 2,620,001
Communications	\$ -	1	\$ 33,882
Utilities	\$ -	2	\$ 75,412
Wholesale & Retail Trade	\$ 219,421	29	\$ 854,296
Finance, Insurance & Real Estate	\$ -	9	\$ 581,518
Hotels & Lodging	\$ 4,370	8	\$ 162,746
Business Services	\$ 78,365	14	\$ 262,566
Engineering & Management Services	\$ -	3	\$ 64,784
Personal & Other Services	\$ 58,475	8	\$ 129,426
Government	\$ -	2	\$ 61,595
Total	\$ 9,284,399	327	\$ 9,657,260

Source: Business Research & Economic Advisors (Appendix C)

The above economic impact does not include total vessel and passenger spending. These impacts are estimated separately in the remainder of this report.



The classic ocean liner QE2 as she maneuvers to her position at Anchorage A in Portland Harbor, September of 2000.

VIII. CRUISE SHIP ECONOMIC IMPACT ON THE PORT OF PORTLAND

The impact of Cruise Ship operations on the local economy of the port is the key element in gauging investments based on growth. Portland needed to review its current trade in preparing to plan the building of new facilities to accommodate this industry. Portland handled over 10% of the Canada/New England port-of-call cruise passenger trade in 2001.

A. METHODOLOGY

In measuring the economic impact of port-of-call cruise ship operations, the department contacted each of the service vendors and agencies that derived revenue from the cruise ships calling on the port. This includes the City of Portland, harbor pilots, tugboats/docking masters, stevedores, labor groups, security firms, ships agents, transportation companies and government agencies. The direct revenue was measured and categorized. Critical to the measurement of impact was passenger and crew spending. There is no direct way to calculate the monies spent in these categories without conducting a specific survey, however they can be estimated based upon studies available in the industry.

To estimate these spending levels we looked at two key port studies that represent the range of operations in which Portland fits. The first study focuses on the homeport and port-of-call destination of St. John's, New Foundland. This port is within our cruising region and both competes with us and is a partner with our port in the New Atlantic Frontier marketing program. The New Atlantic Frontier is comprised of ports from New York north to Martha's Vineyard, Providence and Newport, RI, Bar Harbor, Montreal, QU, Saint John, New Brunswick, Prince Edward Island, Halifax, Nova Scotia a collection of small Atlantic Maritime destinations and the island of St. Pierre-Miquelon, which is owned by France.

The second port study was a compilation of Florida and Caribbean ports which represents a significant part of the cruise ship business in the United States. Most other ports like Portland, Boston, New York, Philadelphia and Charleston fall somewhere in between these boundary examples.

To determine per passenger spending, we took the average spending from the two comparative port studies and established a multiplier for Portland. The average of \$117.32 was established for port-of-call passenger spending and \$38.37 for port-of-call crew member spending by using a mid point average between the estimates made in studies for the two ports.

Table 4: Port-of-Call Passenger and Crew Spending Calculations				
Comparative Port Source	Comparative Pax Spending	Pax Impact	Comparative Crew Spending	Crew Impact
St. John's, New Foundland, <i>The Cruise Ship Impacts on the City of St. John's – 2000</i> , Appendix E	\$206.44 Canadian Dollars	\$130.80 US Dollars	\$7.39 Canadian Dollars	\$4.68 US Dollars
FCCA's <i>Economic Contribution of the FCCA Member Lines to the Caribbean and Florida</i> , Appendix D	\$103.83	\$103.83	\$72.06	\$72.06
Average Spending		\$117.32		\$38.37

B. PORT-OF-CALL PASSENGER SPENDING ANALYSIS

The economic impact to the Port of Portland, the Southern Maine region and the State of Maine was calculated on a per passenger impact basis. The following table illustrates total cruise lines spending for local services, port and Government fees. As mentioned previously, these fees were established through contacting the various agencies that provided services to the ships and acquiring actual revenue information for the 2001 cruise season.

The total impact was calculated then divided by the total number of cruise passengers, to provide an estimated yield of per passenger spending totals. The total annual port-of-call passenger impact derived from the spending in all cumulative categories is estimated at \$8.7 million or \$198.96 per passenger.



Holland America Lines' MAASDAM docked at the former Bath Iron Works Ship Repair Facility on Commercial Street, 2001.

Table 5: Port-of-Call Passenger Spending

<u>Category</u>	<u>Amount</u>	<u>Multiplier</u>	<u>Total Spending</u>	<u>Passengers</u>	<u>Per passenger spending</u>
City Fees ¹ (Appendix A)	\$6,547.06 avg. per ship	45 ship calls	\$294,617.63	43,803	\$6.73
Passenger Spending ²	\$117.32/passenger	43,803 pax	\$5,138,967.90	43,803	\$117.32
Crew Spending ³	\$38.37/day	19,500 crew	\$748,215.00	43,803	\$17.08
Pilotage Fees-Portland Pilots	\$ 5,000.00/ship	45 ship calls	\$ 225,000.00	43,803	\$5.13
Docking Master Fees-Portland Tugboat Fleet	\$1,000.00/ship	15 ship calls	\$15,000.00	43,803	\$0.34
Stevedoring Fees- ILA	\$3,800.00/ship	20 ship calls	\$ 76,000.00	43,803	\$1.73
Clerk and Checking Fees-ILA	\$ 200.00/ship	20 ship calls	\$4,000.00	43,803	\$0.09
Line Handling Fees-ILA	\$1,000.00/ship	41 ship calls	\$ 41,000.00	43,803	\$0.94
Equipment Rental-ILA	\$ 200.00/ship	20 ship calls	\$ 4,000.00	43,803	\$0.09
Security Fees-CITY of Portland	\$ 250.00/ship	45 ship calls	\$ 11,250.00	43,803	\$0.26
Ship Agency Fees-Port Agents	\$2,000.00/ship	40 ship calls	\$80,000.00	43,803	\$1.83
Govt. Fees ⁴ –INS, USDA, Customs	\$ 5,000.00/ship	40 ship calls	\$200,000.00	43,803	\$4.57
Entertainment ⁵ -City of Portland	\$ 300.00/ship	30 ship calls	\$ 9,000.00	43,803	\$0.21
Shore Excursions ⁶	\$80.00 each	21,902 pax	\$1,752,160.00	43,803	\$40.00
METRO Shuttle Bus ⁷	\$5.00/per person and \$1.00 per person	7,261 @ \$5.00 301 @ \$1.00	\$36,606.00	43,803	\$0.83
Fuel ⁸	\$ 10,000.00/ship	2 ship calls	\$20,000.00	43,803	0.46
Supplies ⁹ – Regal Cruises	1,000 lobster/call	13 ship calls	\$58,500.00	43,803	\$1.33
Ship Services ¹⁰ – Regal Cruises	\$350.00 dive team inspections	2 inspections	<u>\$700.00</u>	43,803	<u>0.02</u>
Estimated Total Benefit			\$8,715,016.53	43,803	\$198.96

¹ City Imposed Port Fees – Head tax, Dockage, Water, Security, etc.

² Passenger Spending – Restaurants, phone cards, misc. ground transportation, souvenirs, film, and attraction fees.

³ Crew Spending – ground transportation, phone cards, Internet access, postal services, clothing, food and drink.

⁴ Government Fees-Department of Agriculture, Immigration & Naturalization Services and Customs & Immigration Fees.

⁵ Entertainment – Entertainment while ship is docking and lines and gangway secured.

⁶ Shore Excursions-Ships average ½ of total passenger count goes on a shore excursion, the average cost per person is \$80.00.

⁷ METRO's electric busses - recorded passenger count x fee.

⁸ Fuel- ROYAL PRINCESS (2 x), REGAL EMPRESS (13x).

⁹ Supplies-Chandlery services, fresh flowers, provisions-produce and seafood, misc. other necessities. REGAL Cruises actual supplies spending while in Portland.

¹⁰ Ship services- Underwater diver fees, misc. mechanical/marine ship repair services, dental/doctor fees for crew members, piano tuning, soda line cleaning, miscellaneous other services.

Local services/businesses: Dodge the Florist, Hearts & Flowers, FireSafe, Native Maine Produce, Bayley's Lobster, PEPSI Co., Union Oil, Allon Prices, Sid Wainer & Sons, Joseph Bacier, Nat'l Distributors, Moran Shipping Co., Chase-Leavitt, & Co., Atlantic Maritime Transit Agency, Portland Pilots, Portland Tugboat & Shipdocking, Jenny Woodman, Jim Ciampi Productions, Poland Spring Water, SYSCO Systems, Atlantic Tour Company, Mainely Tours, House Island, Destination Canada/New England, Stagecoach USA, Northeast Tour & Charter, Cyr Bus Line, METRO.

IX. HOME PORT OPERATIONS: CREW AND PASSENGER SPENDING ANALYSIS

To calculate the economic benefit of home port passenger and crew member spending, we took the average of two of the aforementioned economic impact studies and derived a multiplier for the Portland region.

By taking predetermined multipliers from the two comparative port studies, we were able to establish the average benefit of \$99.48 per homeport passenger who enjoyed a pre/post cruise vacation stay. By using the same method, we achieved the average of \$29.19 of per passenger spending for persons who embarked the ship the same day they arrived in Portland.

Table 6: Homeport Passenger Spending with Pre and Post Vacations and Same Day Arrivals		
Comparative Port Reference Study	Average Spending Per Home Port Passenger with Pre/Post Cruise Stay	Average Spending Per Home Port Passenger Same Day Arrival
<i>FCCA-Economic Contribution of the Cruise Industry (Appendix D)</i>	\$ 78.91	\$14.33
<i>Economic Impact of the St. John's Cruise Ship Industry (Appendix E)</i>	(\$189.45 Canadian x .6336) \$120.04 US	(\$69.53 Canadian x .6336) \$44.05 US
Average Multiplier	\$99.48/pax with overnight stay	\$ 29.19/pax same day arrival

To determine the benefit of pre/post cruise stay passenger spending, we took the multiplier of \$99.48 per passenger derived from *Table 6* and established a product by multiplying it by the approximate percentage of passengers who stayed in the area on a pre/post cruise vacation.

Table 7: Average Spending Per Home Port Passenger with Pre/Post-Cruise Stay						
Cruise/Ferry Company	Total # pax	% of pax	# of pax	Average Multiplier	Number of Homeport Operations	Estimated Total Benefit
Scotia Prince Cruises	161,000	60	96,600	\$99.48	156	\$9,609,768.00
American Classic Voyages	526	40	210	\$99.48	2	\$20,890.80
American Cruise Line	90	40	36	\$99.48	2	\$3,581.28
	161,616		96,846		160	\$9,634,240.08

It was established that the combined percentage of passengers for a pre/post cruise vacation who sailed on the three home port cruise vessels spent approximately \$9.6 million dollars in the region during the FY02 cruise season.

To determine same day arrival passenger spending, we took the established multiplier from *Table 6* and factored it by the estimated percentage of same day arrival cruise passengers. We estimate that nearly \$1.9 million dollars was spent during the 2001 cruise season by same day arrival cruise passengers.

Table 8: Average Spending Per Home Port Passenger - Same Day Arrival

Cruise/Ferry Company	Total # of Pax	% same day arrival	# of pax	Average Multiplier	Number of Homeport Operations	Estimated Total Benefit
Scotia Prince Cruises	161,000	40	64,400	\$29.19	156	\$1,879,836.00
American Classic Voyages	526	60	316	\$29.19	2	\$9,224.04
American Cruise Line	90	60	54	\$29.19	2	\$1,576.26
	161,616		64,770		160	\$1,890,636.30

This figure does not take into account the monies spent on travel to Portland including the cost of common carrier transportation, i.e. bus or plane.

To establish a multiplier for home port crew spending we took the same two comparative port multipliers to determine an average applicable to the Portland market. The average home port crew expenditure per ship lay over is \$64.83.

Table 9: Home Port Crew Spending

Comparative Port Reference Study	Average Spending per Home Port Crew
FCCA- <i>Economic Contribution of the Cruise Industry</i> (Appendix D)	\$ 111.67
<i>Economic Impact of the St. John's Cruise Ship Industry</i> (Appendix E)	(\$28.37 Canadian x .6336) \$17.98
Average Home Port Crew Spending Multiplier	\$ 64.83

In *Table 10*, we determined the total home port crew spending benefit for the 2001 cruise season. We estimated the percentage of crew that left the vessel during the ship layover and multiplied that by the total number of crew. This was then multiplied by the average home port spending estimate that was established in *Table 9*. We established that an estimated \$103,500.00 was spent by home port crew members in the area during the 2001 cruise season.

<u>Table 10:</u> Scotia Prince, American Classic Voyages and America Cruise Line						
Crew Spending						
Cruise/Ferry Line	Average # Crew	% leave vessel	# of Crew	Multiplier	# of Layovers	Avg. Spending Crew
Scotia Prince	185	75	139	\$64.83	10	\$90,113.70
American Classic Voyages	100	85	85	\$64.83	2	\$11,021.10
American Cruise Line	24	75	18	\$64.83	2	\$2,333.88
	309		242		14	\$103,468.68

X. HOME PORT OPERATIONS: OPERATING EXPENSES

In addition to passenger and crew spending, Scotia Prince Cruises, Ltd. (SPC) operations in 2000 contributed **\$8,783,000.00²** to local businesses through payroll and staff services, vehicles, office machines, janitor services, telephone, postage, supplies, bank services, legal services, advertising including newspaper and TV, harbor dues, pilotage, terminal costs, fuel, crew medical, uniforms, deck supplies, engine supplies, catering supplies and food. This figure includes \$406,700.00 paid to the City of Portland for rent and parking.

Scotia Prince Cruises Ltd. spends **in excess of \$25,000.00 per year each** with AT&T, Anthem Blue Cross & Blue Shield, City of Portland, Coastal Colour Products, CD&M Communications, GBF Infosystems, IDM Maine, Maine Medical Center, North Center Food Service, Ocean Specialties, Portland Printing Services, Troiano Waste Service Inc., Union Oil, Verizon Phone Services and Young's Travel Service.

² 2001 numbers were not available, 2000 numbers are estimated to be less than 2001 expenditures.

Table 11: Scotia Prince Cruises, Ltd. - TOTAL IMPACT			
Operation	Total Spending	Total Pax	Per Pax Spending
Operating Expenses	\$8,783,000.00	161,000	\$54.55
Passenger Spending	\$11,489,604.00	161,000	\$71.36
Crew Spending	\$90,113.70	161,000	\$0.56
Total Economic Impact	\$20,362,717.70		\$126.47

The following services were utilized by American Classic Voyages (ACV) and American Cruise Line (ACL) while in Portland in 2001. These are cost estimates associated with home porting operations. This estimate does not include the economic benefit of the purchase of fuel, which was not available.

Table 12: American Classic Voyages and American Cruise Lines						
Operating Expenses						
Cruise Line	Fuel	Port Fees (App. A)	Stevedoring	Line handling	Chandler Services	Total Economic Benefit in vessel services
ACV	Not available	Added in Table 5, City Fees	\$2,000.00	\$2,000.00	\$2,500.00	\$6,500.00
ACL	Not available	Added in Table 5, City Fees	Too small	Too small	\$1,500.00	\$1,500.00
Totals	Not available	\$ 0.00	\$2,000.00	\$2,000.00	\$4,000.00	\$8,000.00

XI. BENEFIT TO THE CITY OF PORTLAND BUDGET

The City of Portland through its Transportation Department's Waterfront Division, collects substantial revenue from its international passenger operations. The City establishes fees in its terminal tariff which is the basis for all revenue levels in the category. In addition, the city has a lease with Scotia Prince Cruises, Ltd. at the International Marine Terminal (IMT). The department also collects revenue from the long term and transient parking at the Portland Ocean Terminal (the former Bath Iron Works Ship Repair Facility) and leases the parking lot at the IMT to Scotia Prince Cruises from April to October each year.

Finally, the City collects money from vessels berthing at City terminal facilities for long term and daily periods. The waterfront enterprise fund, managed by the department, bases its' financial management on a revenue/expense comparison method with the goal of an annual neutral or positive general fund contribution. For comparison, the expenses associated with these operations

are included. The cash surplus in this 2001 season for international passenger operations only was \$514,564.70.

The following table illustrates the breakdown of the revenue, expenses and net income to the City of Portland:

<u>Table 13:</u> Economic Benefit to the City of Portland		
Revenue Summary:		
1.)	Scotia Prince International Ferry	\$406,700.00
2.)	Cruise Ship Operations	\$294,617.70
3.)	Parking Revenues	\$279,047.00 ¹
4.)	Term & Transient Berthing	\$59,200.00
	Revenue Total	\$1,039,564.70
5.)	Less Total Expenses	\$(525,000.00)
	Net Revenue	\$514,564.70
1.) Scotia Prince International Ferry:		
	Vessel Berthing, Office and Warehouse Rental	\$336,700.00
	Parking	\$70,000.00
	Total	\$406,700.00
2.) Cruise Ship Operations:		
	Season Cruise Ship Dockings	45 ships
	Average Fees Per Ship	\$6547.06
	Total Season Fees	\$294,617.70
3.) Parking:		
	Auto-Europe	\$ 67,200.00
	Fore Street Lot	\$ 101,766.00
	POT Lots	\$ 110,081.00
	Total	\$279,047.00
4.) Term & Transient Berthing:		
	Tugboat Berthing	\$ 43,200.00
	Lay Berthing	\$ 6,000.00
	Transient Berthing	\$ 10,000.00
	Total Other Berthing Revenues	\$ 59,200.00
5.) Expenses:		
	Administrative ²	\$ 200,000.00
	Operational ³	\$ 125,000.00
	Debt Service	\$ 200,000.00
	Expense Total	\$ 525,000.00

¹ Parking Revenues offset seasonality of tourism based business

² Administrative expenses include wages, indirects, contractuels & marketing.

³ Operational expenses include maintenance, utilities, materials, & insurance.

XII. TOTAL HOMEPORT ECONOMIC IMPACT

The impact of the homeport operations exceeds that of port-of-call operations and represents a larger number of vessel calls and passenger throughput. From the component direct and estimated homeport financial information, we can calculate the total economic impact of homeport operations. This would include the passenger and crew spending estimates along with the reported billing and spending by the three homeport operators. Those combined total impacts are outlined in the following table:

Table 14: Combined Economic Impacts – Homeport Operations						
Passenger & Crew Spending						
Category/Company	Total # of Pax/ Crew	%	# of Pax	Average Multiplier	# of Ops	Total Benefit
A. Pax Spending w/Pre-Post Stay						
SPC	161,000	60	96,600	\$99.48	156	\$9,609,768.00
ACV	526	40	210	\$99.48	2	\$20,890.80
ACL	90	40	36	\$99.48	2	\$3,581.28
	161,616		96,846		160	\$9,634,240.08
B. Pax Spending same day arrival						
SPC	161,000	40	64,400	\$29.19	156	\$1,879,836.00
ACV	526	60	316	\$29.19	2	\$9,224.04
ACL	90	60	54	\$29.19	2	\$1,576.26
	161,616		64,770		160	\$1,890,636.30
C. Crew Spending						
SPC	185	75	139	\$64.83	156	\$90,113.70
ACV	100	85	85	\$64.83	2	\$11,021.10
ACL	24	75	18	\$64.83	2	\$2,333.88
	309		242		160	\$103,468.68
Combined Homeport Pax and Crew Spending						\$11,628,345.06
Homeport Operational Expenses						
SCOTIA PRINCE CRUISES						\$8,783,000.00
AMERICAN CLASSIC VOYAGES						\$6,500.00
AMERICAN CRUISE LINE						\$1,500.00
Combined Homeport Operational Expenses						\$8,791,000.00
Summary of Combined Home Port Operation Benefits (Three Companies)						
A. Home Port Pax/Crew Spending						\$11,628,345.06
B. Home Port Operational Expenses						\$8,791,000.00
Total Impact						\$20,419,345.06

Although there are only three operators in the port, their combined operations represent 160 port calls, or four times the number of port-of-call operations and passengers. This is the basis for Portland being one of the largest international passenger ports in New England.

With the development of a new marine facility and a close airport with a wide range of airline service, Portland has the potential to further expand this type of business. The impact on local vendors in the port is more substantial. These operators support expanded and year round services and create new jobs in the maritime community.

XIII. CONCLUSION

As a result of the domestic and international cruise/ferry business in the Port of Portland, Maine the economic impact can be viewed at exceeding \$29 million dollars during the 2001 season.

Table 15: Total Annual International Cruise/Ferry Economic Impact Benefit

International Cruise/Ferry Benefit Categories	Estimated Economic Benefit
Total Port-of-Call Impact	\$8,715,016.53
Home Port Passenger with Pre/Post-Cruise Stay	\$9,634,240.08
Average Spending Per Homeport Passenger - Same Day Arrival	\$1,890,636.30
Homeport Crew Spending	\$103,468.68
Scotia Prince Cruises, Ltd. Operational Expenses (does not include rent and parking paid to City)	\$8,376,300.00
Homeport Vessel (American Classic Voyages & American Cruise Line) Spending	\$8,000.00
Benefit to the City of Portland (gross revenue)	\$514,564.70
Total Estimated Annual Economic Benefit	\$29,242,226.29

The significance of the total estimated annual economic benefit figure in *Table 15* is that it does not include indirect impacts which were not calculated for this report. Those unmeasured indirect impacts include:

- Sales Taxes on food, fuel and merchandise,
- Transportation costs to and from port for home port pre/post stay passengers,
- Tips for ground transportation costs, restaurants and step-on guides,
- Duty taxes on declared merchandise purchased abroad,
- Other incidentals.

In general, indirect impacts can range from 20%-30% above direct expenses. A medium estimate of 25% above the direct impacts would add approximately \$10 million more to the estimation of the impact.

Combined with Bar Harbor, the international passenger industry represents a significant impact to Maine's economy. It is very difficult to calculate the exact impact without accurate measures in specific categories, the estimates based on conservative assumptions can however paint a reasonable picture of the impact of international passenger operations. The direct measurements put the impact in excess of \$30 million without the unmeasured elements of indirect impacts. Those indirects are conservatively placed at \$30.00 -\$50.00 per passenger and crew. A total of 205,374 and 19,700 crew visited Portland with only an average of 2% ROB (Retained on Board) passengers (based on per ship interviews) and one third of the crew is on duty at one time with most making it ashore on leave. These elements provide a significant impact for each ship. Also of note is that in regard to port-of-call, large quantities of passengers arrive in a single vehicle, the ship. Although each call generates associated vehicular traffic, it is still significantly less than 43,000 plus passengers arriving in private automobiles.

These methods of estimating the impact as outlined in this report are reasonable, reinforcing the incidental reports from local vendors which supports the passenger and crew spending estimates. Portland merchants report significant increases in foot traffic and receipts when cruise ships are in port. The impact of the soft tourist season after September 11th was mitigated somewhat by the peak cruise ship season.

Two hundred ship calls (156 Scotia Prince, 2 American Cruise Lines, 2 American Classic Voyages and 41 port-of-call) with their 205,374 passengers represents a critical and significant port of Portland's working waterfront. The business, while it may have looked shaky after September 11th, as did every other travel business, is rebounding. Current reports from news sources show bookings in the cruise industry ahead of last year at this time. The Ocean Gateway project is designed to accommodate this growing business, as part of the emerging vision of the east end of the Portland waterfront. Portland is in a good position to take advantage of this growth opportunity whose impact is concentrated in a short season, has minimal adverse consequences and provides a significant financial impact to the local economy. Above all, the direct revenue to the City of Portland, as a part of its diverse economic port mix, is significant. The City's recent 30 year plus history with international passengers has been a critical part of this region's economy and merits further investment.